

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric
Company for Adoption of Electric Revenue
Requirements and Rates Associated with its
2015 Energy Resource Recovery Account
(ERRA) and Generation Non-Bypassable
Charges Forecast

(U 39 E)

Application 14-05-024
(Filed May 30, 2014)

**COMMENTS OF MARIN CLEAN ENERGY, SONOMA CLEAN POWER, THE CITY OF
LANCASTER, THE COUNTY OF LOS ANGELES, LEAN ENERGY US, CLEAN
COALITION, AND COMMUNITIES FOR A BETTER ENVIRONMENT ON THE
DRAFT WORKSHOP REPORT**

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LOS ANGELES, LEAN ENERGY US, CLEAN COALITION, AND COMMUNITIES FOR
A BETTER ENVIRONMENT ON THE DRAFT WORKSHOP REPORT**

Pursuant to the *Administrative Law Judge’s Ruling Introducing a Draft Workshop Report
and Inviting Comments* (“Ruling”) issued on June 6, 2016, MCE,¹ Sonoma Clean Power
Authority,² Lancaster Choice Energy,³ the City and County of San Francisco,⁴ the County of Los

¹ Marin Clean Energy (“MCE”) is a CCA program that serves customers in Marin, Napa, west Contra Costa, and Solano counties. By the end of 2016, MCE will have a peak load of 500 MW and serve approximately 250,000 customer accounts.

² Sonoma Clean Power (“SCP”) is a California joint powers authority operating a CCA program in Sonoma County. SCP currently serves about 198,000 accounts encompassing a population of approximately 450,000. The reduction of greenhouse gas emissions in Sonoma County is one of the primary reasons for SCP’s formation.

³ The City of Lancaster is a community of nearly 160,000 residents that is aggressively pursuing energy solutions in hopes of bettering the current and future environmental and economic conditions of its community and region. In that context, the Lancaster City Council approved a CCA program, Lancaster Choice Energy, which is now fully operational.

⁴ The City and County of San Francisco recently launched CleanPowerSF, which is committed to meeting both San Francisco’s and the State of California’s climate and environmental goals. CleanPowerSF currently serves approximately 7,800 customers and will be expanding in a second phase in November 2016.

(footnote continued)

Angeles,⁵ LEAN Energy US,⁶ Clean Coalition,⁷ and Communities for a Better Environment⁸ (“Joint Parties”) hereby submit their comments on the draft *Power Charge Indifference Adjustment (PCIA) Inputs and Methodologies Workshop Report*.

I. INTRODUCTION

The Joint Parties appreciate the California Public Utilities Commission’s (“Commission”) efforts in considering this particularly challenging issue. The workshop and ensuing workshop report are starting points for a broader discussion on the fairness and reasonableness of non-bypassable charges.

In Decision (“D.”) 15-12-022, the Commission ordered the Energy Division to host a workshop in Phase 2 of this proceeding (Application 14-05-024) to address stakeholder concerns on non-bypassable charges specific to the PCIA.⁹ As stated in that decision, the intended scope of the workshop was to address: “(a) the methodology for calculating the PCIA; (b) whether the

⁵ The County of Los Angeles Office of Sustainability is leading the efforts towards implementing a county-wide CCA program.

⁶ LEAN Energy US is a 501(c)(3) non-profit to support the development of viable CCA programs in California and nationwide. LEAN’s participation in this proceeding is focused on the interests of those California jurisdictions that plan to launch CCA programs and those that should have the option to do so at a later date, by ensuring that the PCIA is fair and calculated according to Commission rules and consistent with California law.

⁷ The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. In this proceeding, the Clean Coalition seeks to ensure that all renewable energy options affected by the PCIA, including CCAs and the Green Tariff Shared Renewables Program, remain cost-competitive by ensuring that the PCIA properly accounts for both the net costs and benefits of departing load.

⁸ Communities for a Better Environment (“CBE”) is a non-profit environmental justice movement building organization, with several members in Richmond and Benecia that are residential customers of MCE. CBE is particularly concerned with the inconsistent application of the PCIA to customers enrolled in the California Alternate Rate for Energy (“CARE”) program throughout the state.

⁹ D.15-12-022 at 14-15.

(footnote continued)

calculation of the PCIA should be different for Direct Access (DA) and Community Choice Aggregation (CCA) entities, and if so, what those different methodologies should be; (c) the inputs to the calculation of the PCIA; and (d) ensuring that all proposals are in compliance with existing Public Utilities Code Sections, including but not limited to ensuring no bias or harm to DA, CCA, or bundled customers.”¹⁰

The Energy Division held the workshop on March 8, 2016. Prior to the workshop, the Energy Division also sought input in the form of an “optional homework assignment,” which invited discussion on many broader policy issues such as PCIA reform. The workshop report, however, ignores the portion of the proposed scope to consider different methodologies for calculating the PCIA and merely summarizes the discussion of PCIA methodology and inputs. It does not offer any analysis of those discussions, or propose solutions to the issues raised. It also does not address statutory provisions providing that exit fees should reflect unavoidable costs and that departing load customers incur only reasonable costs attributable to those customers. Most importantly, it does not provide or set forth a venue for parties for further discussion of the many significant concerns raised in the workshop, including volatility, reasonableness, fairness, and lack of transparency.

There are still many issues with the PCIA that deserve greater attention. Because the ALJ Ruling accompanying the workshop report inexplicably found that virtually all of the issues raised at the workshop are outside the scope of the proceeding, the Joint Parties request clarification as to where the Commission will address these concerns.¹¹

This is not the first time the Joint Parties have asked for consideration of the PCIA. As

¹⁰ Decision at p. 22-23 (Ordering Paragraph 4).

¹¹ Ruling at p. 2.

described in detail below, over the past four years, members of the Joint Parties have requested no less than six times that the Commission provide a venue for consideration of PCIA reform. Yet the Commission has rebuffed each request by refusing to provide a venue to examine these issues. Given the importance of non-bypassable charges to CCA operations, the Commission should delay no further.

II. THE DRAFT WORKSHOP REPORT DOES NOT ACCURATELY REFLECT THE PROPOSED SCOPE OF THE WORKSHOP AND SHOWS AN UNWILLINGNESS TO CONSIDER SUBSTANTIVE REFORM TO THE PCIA

The Joint Parties thank the Commission for hosting a workshop and incorporating both the workshop report and the parties' responses to initial queries from the Commission into the official record. The workshop report, however, appears to only reinforce the current methodology of the PCIA and does not address whether the current proposal is in compliance with existing Public Utilities Code Sections, including ensuring basic fairness between bundled and unbundled customers.

The workshop report appears to assume that the purpose of the PCIA is to insulate bundled ratepayers from any cost-shifting. By doing so, the workshop report ignores other statutory obligations incumbent upon the investor owned utilities ("IOUs"), and the Commission. As the workshop report states:

"The purpose of the PCIA is to ensure that the costs that the utility had incurred in the past to serve the customers now taking service from DA and CCA do not fall unfairly on the remaining utility customers. The PCIA is intended to keep investor owned utility's remaining bundled service customers financially indifferent to the departure of these customers. The charge depends on the above-market costs of electricity portfolio of the utility when those customers were still bundled service customers of the IOU."¹²

¹² Workshop Report at p. 3.

Instead, as outlined in D.15-12-022, the workshop report should state that the purpose of the PCIA is to ensure that no bias or harm is imposed on either DA, CCA, or bundled customers. To ensure this basic fairness, the workshop report should state that the IOUs have a statutory duty to limit a departing CCA customer's exit fees to the "estimated net *unavoidable* electricity purchase contract costs attributable to the customer"¹³ and "that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load."¹⁴ Ensuring that the PCIA complies with all parts of the Public Utilities Code will help prevent cost-shifting between bundled customers and departing load. This should include a review of the reasonableness of the electricity contract costs and whether the indifference amount results in cost-shifting to departing load.

The workshop report should do more than restate the current methodology. When describing the mechanics of the PCIA, the workshop report states "in simple terms: Total Portfolio Costs minus Market Value of the portfolio equals the Indifference amount."¹⁵ While this statement is accurate, it should be qualified to consider proposals set forth in various responses to the Energy Division's "optional homework assignment." For example, MCE and Lancaster proposed that "through an annual audit, require an IOU to mitigate damages for Power Purchase Agreements."¹⁶ These principles benefit departing customers, such as CCA and DA customers, but also bundled customers as well. As identified at the workshop, IOUs currently have no motivation to minimize their procurement costs. The workshop report lacks consideration of these issues or explanation regarding why these considerations were omitted.

¹³ Cal. Pub. Util. Code § 366.2(f)(2), *emphasis added*.

¹⁴ Cal. Pub. Util. Code § 365.2.

¹⁵ Workshop Report at p. 7.

¹⁶ MCE and Lancaster response to Optional Homework assignment at p. i.

Similarly, in the section titled “Review Workshop outcomes/action items/closing remarks” the workshop report states, “There was serious interest in establishing an alternate sunset on PCIA for 10 years for all resources. However, Cal. Pub. Util. Code § 366.2(f)(2) seems to allow cost recovery for the duration of the contract. So a sunset may not be possible absent a legislative fix.”¹⁷ This statement merely echoes a statement made by the IOUs previously in the workshop report.¹⁸ This was an opportunity for the workshop report to consider some of the creative proposals included in the homework assignment.¹⁹ Rather than working towards a substantive solution, the workshop report simply reiterates the status quo.

III. THE COMMISSION HAS REPEATEDLY DENIED A VENUE TO ADDRESS PCIA FAIRNESS ISSUES AND MUST IMMEDIATELY DESIGNATE A PROPER VENUE FOR THESE ISSUES TO BE EXAMINED

The Joint Parties appreciate that these considerations are complex and may require more than a workshop to resolve. However, based on the fact that the Commission devoted the resources necessary to convene a workshop, the Joint Parties had every expectation and hope that the Commission would identify a procedural path forward for resolving at least some of the issues raised. Inexplicably, then, the ruling accompanying the workshop report abruptly concludes that “the issues discussed at the workshop and contained in the workshop report is [sic] outside the scope of the current proceeding.”²⁰ There is no further elaboration about appropriate procedural next steps.

To address this gap, the Commission should open a third phase in the instant proceeding specifically to address issues raised in the workshop and workshop report. Over the past four years

¹⁷ Workshop Report at p. 26.

¹⁸ See Workshop Report at p. 16.

¹⁹ See e.g. Direct Access response to Optional Homework assignment at p. 5.

²⁰ Ruling at p. 2

up to 40 parties have attempted in a number of different proceedings to address the growing volatility, uncertainty, and reasonableness of the PCIA and other non-bypassable charges on departing load customers. Each time, the Commission has found a reason to refer these issues to some other proceeding, at some future date.

It is time for the Commission to finally deliberate on whether the PCIA is just and reasonable, as is required by California Public Utilities Code § 451.²¹

A. The Commission Denied a Venue to Address PCIA Fairness Issues in a 2012 Rulemaking on CCA Issues

The first denial of a venue to address PCIA fairness issues for CCA customers occurred on August 9, 2012. The size, uncertainty, and reasonableness of the PCIA have been unresolved at least since the passage of Senate Bill (“SB”) 790 (2012) required the Commission to institute a rulemaking to “incorporate rules that the Commission finds necessary or convenient in order to facilitate the development of community choice aggregation programs, to foster fair competition, and to protect against cross-subsidization paid by ratepayers.”²²

The Commission subsequently initiated Rulemaking (“R.”) 12-02-009 in response to fulfill the requirements of SB 790 (“SB 790 Rulemaking”). Despite the efforts by several parties to address specific cost allocation issues in that proceeding, the Scoping Memo in R.12-02-009 provided that cost allocation issues and non-bypassable charges were “outside the scope of this proceeding” and were more “appropriately addressed in other Commission proceedings that

²¹ Cal. Pub. Util. Code § 451 states, “All charges demanded or received by any public utility... for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful.... All rules made by a public utility affecting or pertaining to its charges or service to the public shall be just and reasonable.”

²² Cal. Pub. Util. Code § 707(a)(4)(A).

(footnote continued)

directly address costs and rates.”²³

B. The Commission Denied a 2012 Petition for Rulemaking to Address PCIA Fairness Issues

The second denial of venue to address PCIA fairness issues for CCA customers occurred on August 20, 2013. Since the final decision in the SB 790 Rulemaking did not address fundamental fairness and competitive issues related to non-bypassable charges, including the PCIA, a Petition for Rulemaking to address non-bypassable charges was filed by 15 co-filers and 40 supporting entities on December 18, 2012.²⁴

Senator Mark Leno, the sponsor of SB 790, expressed concerns about the proper

²³ R.12-02-009, Assigned Commissioner’s and Administrative Law Judge’s Scoping Memo and Ruling at 5, August 9, 2012. *See also* R.12-02-009, Opening Comments of the Marin Energy Authority, San Joaquin Valley Power Authority, South San Joaquin Irrigation District, City of Santa Cruz, the Climate Protection Campaign, Direct Energy, LLC, Noble Americas Energy Solutions LLC, Constellation Newenergy, Inc., Alliance for Retail Energy Markets and Direct Access Customer Coalition Regarding the Rulemaking Issues Pursuant to Senate Bill 790 at 30-33, March 26, 2012.

²⁴ Petition (“P.”) 12-12-010. The petition was co-filed by Marin Energy Authority, Alliance for Retail Energy Markets, City and County of Santa Cruz, Climate Protection Campaign, Constellation Newenergy, Inc., Direct Access Customer Coalition, Direct Energy, LLC, Energy Users Forum, IGS Energy, Retail Energy Supply Association, Sam’s West, Inc., Shell Energy North America US), L.P., South San Joaquin Irrigation District, Texas Retail Energy, LLC. And Wal-Mart Stores, Inc. The petition was supported by Applied Solutions, California Integrated Renewable Energy Solutions (CA-IRES), California Manufacturers & Technology Association, California State Universities, California Watershed Research and Training Center, City and County of San Francisco, City of Arcata, City of Cerritos, City of Corona, City of Palmdale, City of Richmond, Commerce Energy, Inc., Commerce Energy, Inc., ConEdison Solutions, Eastside Power Authority, GDF SUEZ Energy Resources NA, Inc., Green Cities California, Helping Hand Tools, JDS Uniphase, Kyoto USA, Liberty Power Corp., LLC, Local Clean Energy Alliance, Local Energy Aggregation Network, LumenX Consulting, Mint Energy, L.L.C., Monterey Regional Waste Management District, Noble Americas Energy Solutions LLC, Pacific Environment, Pilot Power Group, Inc., Renewables 100 Policy Institute, San Diego Energy District Foundation, San Luis Obispo Clean Energy Economy Coalition, Santa Cruz Planning Department, School Project for Utility Rate Reduction (SPURR), Sierra Club California, Sonoma County Water Agency, Stanford University, Sustainable Novato, Tesoro Refining and Marketing Company, University of California, and Women’s Energy Matters.

(footnote continued)

implementation of SB 790. In late 2012, Senator Leno wrote a letter to the Commission's President asking how the Commission would examine these issues. On January 3, 2013, President Peevey responded to Senator Leno indicating, "I believe that opening a rulemaking as requested by the petition [filed by CCA and direct access parties] may be the most efficient vehicle for comprehensively evaluating these complex [non-bypassable charge] issues. Whatever proceeding we ultimately use to address cost allocation, *we intend to begin addressing this issue soon.*"²⁵

Despite these assurances from the Commission President, who was also the assigned Commissioner for the Petition for Rulemaking, the Commission denied the Petition for Rulemaking. The Commission failed to consider the issues raised, reasoning, "to the extent that any issues raised in the petition may require additional review, they can be addressed in proceedings such as the Long Term Procurement Planning proceeding and General Rate Cases."²⁶

C. The Commission Denied a Motion to Address PCIA Applicability to CARE Customers

This third denial of venue to address PCIA fairness issues for CCA customers occurred on May 7, 2015. On March 6, 2015²⁷ MCE and CBE jointly filed a motion in the instant proceeding to expand the scope to address PCIA fairness issues, specifically arguing that Pacific Gas & Electric ("PG&E") should not apply the PCIA to low-income customers enrolled in the CARE

²⁵ Letter from President Peevey to Senator Mark Leno, January 3, 2013, *emphasis added*. Letter included as Attachment A.

²⁶ Decision ("D.") 13-08-023 at 2. The Commission also indicated that it had addressed similar issues in a recent proceeding, most likely referring to R. 07-05-025. However, the Commission's actions in that proceeding only stopped a clear case of double counting. Specifically, the decision incorporated the "green adder" into the PCIA to ensure that the value of renewables retained by the IOUs was not also collected from CCAs and other unbundled ratepayers. This narrow technical fix of the methodology, while important, did not reform the PCIA, nor did it address the PCIA's volatility, lack of transparency, or whether its inputs or outputs are reasonable. *See* D.11-12-018.

²⁷ This motion was initially rejected because of CBE's lack of party status.

(footnote continued)

program. The ALJ not only denied the ability of CBE to become a party to the proceeding, but also referred this issue to another proceeding, indicating “Application 14-11-010 provides a more appropriate forum for the issue raised by MCE and CBE.”²⁸

D. The Commission Repeatedly Denied a Motion to Address PCIA Applicability to CARE Customers

The fourth denial of venue to address PCIA fairness issues for CCA customers occurred on June 17, 2015. Following the directive of the ALJ in A.14-05-024, MCE and CBE subsequently filed their Motion to Amend the Scope of the Proceeding in A.14-11-007 et al., the proceeding that addresses policy issues for low-income customers throughout the state. This motion was supported by other advocates for low-income consumers, such as The Greenlining Institute and the Center for Accessible Technology.²⁹ Notwithstanding the ALJ’s directive in A.14-05-024 to pursue these fundamental issues of fairness for low-income customers in this proceeding, the motion was orally denied by the ALJ in A.14-11-007 et al. with no examination of the issues raised, explanation of the rationale behind the denial, or any further procedural instruction on a proper forum.³⁰

E. The Commission Did Not Examine CCA Issues in R. 13-12-010, the 2014 Long-Term Procurement Plan (“LTPP”) Proceeding

The fifth failure to provide a venue to examine issues related to reducing non-bypassable charges occurred on July 29, 2015. In the Scoping Memo and Ruling of Assigned Commissioner

²⁸ A.14-05-024, E-Mail Ruling Denying Party Status to Communities for a Better Environment, May 7, 2015.

²⁹ A.14-11-007 et al., Response of the Greenlining Institute and the Center for Accessible Technology to the Motion of Marin Clean Energy to Amend the Scope of the Proceeding, June 2, 2015.

³⁰ See A.14-11-007 et al., Reporter’s Transcript, June 17, 2015 at 6. ALJ Colbert: “And there’s a pending motion of Marin Clean Energy to amend the scope of the proceeding. That motion is denied. Okay. Who’s first?”

and Law Judge of R.13-12-010, the Commission identified issues it would address in Phase 2 of the proceeding, namely, “changes to the Commission’s rules regarding treatment of CCAs and DAs [Direct Access providers], including those adopted related to the CAM [Cost Allocation Mechanism] per SB 695, SB 790, D.11-05-005, and any relevant previous decisions.” This was an opportunity to address PCIA in a larger context of the LTPP proceeding, as the Commission indicated in D.13-08-023 was the proper venue.

Again, however, ultimately the Commission failed to examine the issues outlined for CCAs in the Scoping Memo. When later asked when these issues would be examined, the assigned ALJ indicated that CCA issues would not, in fact, be addressed in that proceeding at all. He indicated, “At this point, I do not have an intention of putting out anything on that particular [outstanding CCA] issue. However, that doesn't mean the issue disappears. It means that it is more likely to be considered in the 2016 LTPP.”³¹

The 2016 LTPP proceeding identified by the ALJ in R.13-12-010 as a potential venue to address CCA issues has released an initial Scoping Memo outlining two phases of the proceeding.³² CCA methodological issues with non-bypassable charges have not yet been included within the scope of that proceeding.

F. The Commission Directed a PCIA Workshop In the Instant Proceeding

The sixth denial of venue to examine PCIA fairness issues occurred in A.15-06-001 on December 28, 2015. In its Proposed Decision to approve PG&E’s proposed 95% increase to the

³¹ R.13-10-010, Reporter’s Transcript, July 29, 2015 at 180.

³² R.16-02-007, Joint Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, May 26, 2016. *See also* R.16-02-007, Comment of Marin Clean Energy, Sonoma Clean Power Authority, and City of Lancaster Regarding Preliminary Scoping Memo Contained Within the Order Instituting Rulemaking at 6.

(footnote continued)

PCIA, the Commission originally indicated a workshop to address the methodologies and inputs used for calculating PCIA should be “outside of any proceeding.”³³ The Proposed Decision was met with a public outcry on this issue. A diverse array of stakeholders urged the Commission to take action on the PCIA, including Senator Mark Leno, Assemblymember Marc Levine, Senator Mike McGuire, Senator Loni Hancock, Assemblymember Kevin Mullin, Richmond Mayor Tom Butt, Berkeley Mayor Tom Bates, the City of Lafayette, the City of El Cerrito, Fremont Mayor Bill Harrison, the City of Hayward, the Los Angeles County Board of Supervisors, the City of Larkspur, the City of Richmond, the City of Menlo Park, the Town of Ross, the Town of San Anselmo, the Town of Tiburon, the San Francisco Local Agency Formation Commission, the San Diego Energy District Foundation, the Local Energy Aggregation Network, the Center for Climate Protection, the Marin Conservation League, Mainstreet Moms Organize or Bust, the Greenlining Institute, Communities for a Better Environment, and the Sierra Club of California.

In its final decision, the Commission indicated the workshop should be held in Phase 2 of the instant proceeding.³⁴ So, although the Commission denied the ability of a venue to raise PCIA methodological issues for CCA customers in A.15-06-001, it directed these issues to be addressed in the instant proceeding through the workshop.

However, since the Workshop Report indicates these issues are outside the scope of the proceeding, this again leaves no venue for examination of fundamental fairness and reasonableness issues of the PCIA.

³³ A.15-06-001, Proposed Decision of ALJ Wilson at 2, November 13, 2015.

³⁴ D.15-12-022 at 2.

IV. THE COMMISSION MUST CREATE A SEPARATE PHASE TO ADDRESS PCIA METHODOLOGICAL ISSUES

As indicated above, although the Commission indicated a PCIA methodology workshop should occur in A.14-05-024, in her Ruling, the ALJ has indicated that issues related to PCIA fairness, uncertainty, and reasonableness are outside the scope of the current proceeding. There is a straightforward solution to this problem: amend the scope of the proceeding and finally address these issues.

Although the workshop report accurately summarizes the current PCIA methodology, it fails to accomplish any reform to it. Despite the repeated requests of CCAs, consumer advocacy groups, and state and local elected officials, the Commission has failed to provide an adequate venue to address PCIA fairness and reasonableness issues for CCA customers. *In essence, the ruling requesting workshop report comments is a seventh denial of venue in four years to address these issues.*

In the meantime, resolution of the uncertainty, level, and reasonableness of PCIA charges grows more urgent. The Commission continues to consider additions to the types of costs eligible for recovery under the PCIA, such as storage.³⁵ CCAs currently have no control or visibility of these costs; they are only accountable to pay these costs. At the same time, customer options for departing the traditional utility generation service are only increasing with the growth of utility green tariff programs, Net Energy Metering and the expansion of CCA across California.

Therefore, the Joint Parties request the Commission open a new phase of the instant proceeding and amend the scope of the proceeding to include the workshop report within the scope of the proceeding and address PCIA fairness and reasonableness issues for CCA customers.

³⁵ See D. 14-10-045.

The Joint Parties thank Administrative Law Judge Tsen and Commissioner Florio for their attention to the matters discussed herein.

Respectfully submitted,

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June 20, 2016

ATTACHMENT A



PUBLIC UTILITIES COMMISSION

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MICHAEL R. PEEVEY
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January 3, 2013

Honorable Mark Leno
Senator
State Capitol, Room 5100
Sacramento, CA 95814

Dear Mark:

In response to your letter of December 18 regarding the Community Choice Aggregation Code of Conduct, I assure you that the CPUC staff and I are committed to its firm and expeditious enforcement. As the founder and former president of a direct access energy service provider, I am sympathetic to the need for the CPUC to remain vigilant in preserving a level playing field for alternative retail providers.

On December 18, a coalition of CCA and direct access parties filed a petition for rulemaking on cost allocation issues. Because questions regarding the appropriate allocation of costs between the utilities' bundled and unbundled customers affect both direct access and CCA providers, I believe that opening a rulemaking as requested by the petition may be the most efficient vehicle for comprehensively evaluating these complex issues. Whatever proceeding we ultimately use to address cost allocation, we intend to begin addressing this issue soon.

Please let me know if I can provide any further information regarding the implementation of SB 790.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael R. Peevey".

Michael R. Peevey
President